CCL Industries Inc.

Revised September 25, 1986 (IC)
Destroy all previous Basic and White cards on this Company

CUSIP Number 124900
Stock Symbol CCQ

Head Office — 500, 235 Yorkland Blvd., Willowdale, Ont. M2J 4Y8

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THE COMPANY is a custom manufacturer and packager of a wide range of consumer goods for approximately 1,500 marketing organizations in Canada and the United States. Company also produces and prints pressure sensitive products and through its subsidiaries, Continental Can Canada and Advanced Extrusions, and its Plastics Packaging division, manufactures containers and closures.

COMPARATIVE DATA

Fiscal Year	Total Assets	Shldrs'. Equity	L-term Debt	Sales	Net Inc. Oper.	Earns. Per Sh.	Divds. Paid	Price Range High	Price Range Low
	000's					—Class A Shares†—			
	$	$	$	$	$	$	$	$	$
1985....	497,527	177,293	160,059	674,172	32,957	1.06	0.165	18.25	12.13
1984....	379,465	142,747	105,811	607,320	29,214	0.96	0.15	12.38	8.00
1983....	301,962	117,666	94,802	420,487	17,334	0.74	0.15	9.00	6.00
1982....	100,424	31,277	33,561	157,855	4,329	0.26	0.15	4.00	2.20
1981....	86,870	29,096	8,609	150,424	5,461	0.33	0.15	5.13	3.00

†Adjusted throughout for 2-for-1 stock split, May 27, 1985; common prior to reclassification on basis of one class A voting and two class B non-voting shares for each three common shares, June 27, 1983.

CONSOLIDATED CAPITALIZATION AS AT DECEMBER 31, 1985

	Outstanding		%
Long-term debt		$160,059,000	47
Class A voting stock	4,211,000 shs.	8,011,000	3
Class B non-voting stock	25,938,000 shs.	92,741,000	27
Retained earnings		76,541,000	23

SUMMARY STATEMENT

For the six months ended June 30, 1986, sales rose marginally to $338,915,000 from $334,174,000 in 1985. Net income fell 47% to $9,048,000 or 30 cents per share from $17,201,000 or 58 cents per share. Earnings continue to be affected by the five-week strike at Continental Can Canada during the first quarter and from reduced revenue from sales of cans for milk destined for the oil exporting countries.

Financial results for the year ended Dec. 31, 1985, showed a 13% rise in net income to $32,957,000 while sales gained by 11% to $674,172,000.

Acquisitions in 1985 included the net assets and business of Advanced Extrusions Ltd. (now Advanced Extrusions Inc.), a producer of aluminum monobloc aerosol containers and collapsible aluminum tubes, for approximately $22,000,000 in February; and all outstanding shares of Dealer Label Manufacturing Corporation of Terre Haute, Indiana, a U.S. producer of pressure sensitive labels, for approximately US$3,000,000 in July.

Aseptic food products, custom manufactured on a Continental Can Conoffast machine starting in the second quarter of 1986, will enable the company to offer marketers low-acid food products, purees, soups and cheese sauces. Technical expertise in starting up and operating the line is being provided by Real Fresh Inc.; of Visalia, California.

The Plastics Packaging division was formed in late 1985 and scheduled to commence production of multilayer barrier plastic containers for the food and beverage industry from a $4,000,000 equipped production facility in Ontario by August, 1986.

Dividends are being paid at an annual rate of 17 cents per class A and 22 cents per class B share, established with the quarterly payment of 4¼ cents per class A and 5½ cents per class B share, respectively, on June 28, 1985. Previously, dividends were paid at an annual rate of 30 cents per pre-split class A share and 40 cents per pre-split class B share from July 29, 1983 to Mar. 29, 1985, inclusive.

BUSINESS LIBRARY
MANAGEMENT
1986
MILL UNIVERSITY

N.B.—For quick reference data, see page 2.

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QUICK REFERENCE DATA

Major Shareholders—At April 8, 1986, G. S. Lang beneficially held 53.6% and KMI Continental Inc. beneficially held 17.8% of the outstanding class A shares.

Employees—At May 28, 1986, the company had approximately 5,000 employees.

Incorporation—Amalgamation under the Canada Business Corporations Act, January 1, 1978.

Auditors—Thorne Riddell, C.A., Toronto, Ont.

Fiscal Year Ends—December 31.

Annual Report Appeared—In May in 1986.

Annual Meeting—May 22 in 1986.

Listed—**CCQ**, Toronto and Montreal Stock Exchanges.

Shareholders—At May 28, 1986, there were approximately 224 class A and 4,259 class B shareholders.

Bankers—The Toronto-Dominion Bank and Bank of Montreal, Toronto.

Transfer Agent—The National Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

FP 500 Ranking—135 by sales; 145 by assets.

COMPANY

The company is a diversified company engaged in the custom manufacture and packaging of a wide range of consumer goods, the production and printing of pressure sensitive products; and the manufacture of containers and closures through its subsidiaries, Continental Can Canada and Advanced Extrusions, as well as the Plastics Packaging division. The company's combined operations serve approximately 1,500 marketing organizations in Canada and the United States.

SALES

Sales by business segment for the past two years have been as follows:

	1985		1984	
	$000's	%	$000's	%
Custom mfg.	172,695	26	156,728	26
Labels, etc.*	64,997	9	55,952	9
Container mfg.	436,480	65	394,640	65
	674,172	100	607,320	100

*Principally pressure sensitive products.

OPERATING INCOME

Operating income, before corporate expenses, income taxes, minority interest and extraordinary items, by business segment for the past two years has been as follows:

	1985		1984†	
	$000's	%	$000's	%
Custom mfg.	12,677	22	13,991	27
Labels, etc.*	3,822	7	2,240	5
Container mfg.	40,891	71	34,925	68
	57,390	100	51,156	100

*Principally pressure sensitive products.
†As shown in the 1985 annual report.

OPERATIONS

Operations are carried out as follows:

Custom Manufacturing

Custom manufacturing is the formulating, blending, production and packaging of products to specific tolerances for sale to major marketing companies in Canada and abroad. Operations are carried out by eight major divisions which manufacture and package products in four basic product groups, personal care; household and commercial; paint and automotive; pharmaceuticals and fragrances.

The products within each group are, in most cases, compounded and manufactured by the company and are packaged, depending on customer requirements, in aerosol, liquid or powder form as well as in suspensions, lotions, creams and sticks. In some cases, the company performs only the packaging function.

Most of the company's manufacturing is done to specific purchase orders with the company assuming all responsibility for the manufacturing and packaging processes. CCL's chemists work with customers to develop the formulations for requested products and to decide on features such as the type and size of container, type of valve, style of cap and label disclosure.

Product responsibility includes the purchase of chemicals and packaging materials, the blending and combining of bulk materials, quality control, warehousing and shipping.

The eight major divisions are as follows:

Conn Chem—This division engages in the custom manufacture of personal care, cosmetic, household consumer products and insecticides in aerosol form, including shave foams, household cleaners, disinfectant sprays, waxes, polishes, antiperspirants and hairsprays. Operations are carried out at a plant in Toronto.

During 1985, new necked-in aerosal cans were introduced; a high speed aerosol line was converted to fill aluminum cans; a new laser coding system was added as well as a new propellant pumping system.

Armstrong-Lang—This division specializes in the manufacture of pharmaceuticals, toiletries, and cosmetics in many forms of packaging including aerosol, liquid, lotion, cream and gel. Plant is in Toronto.

During 1985, a new pressure sensitive labelling system was added to handle glass pharmaceutical products; a new water bath to handle aluminum cans was developed; and three new pump filling lines were added.

Air Guard Control—Air Guard Control manufactures and distributes a complete line of products for the agricultural, pest control and janitorial sanitation markets from a plant in Toronto. Also has an office and warehouse in Sioux Falls, S.D.

K-G Packaging—This division offers a full range of custom manufacturing facilities for aerosol and liquid filling. Principal products include spray paints, liquid stains, varnishes and paint hardeners, shoe care products such as polishes and protectors and leather and fabric specialty chemicals. Automotive products include starting fluid, engine degreasers, penetrating oils, waxes, cleaners, and fabric shampoos. Plant is in Concord, Ont.

In 1985, K-G strengthened its position in fast-dry enamels and luminescent spray paints; expanded its colour line for water-based gloss acrylic spray paints; upgraded its liquid filling lines; and improved its customer order processing system.

Chempac Liquid—The Chempac Liquid division manufactures consumer products including personal care, household cleaner and automotive appearance products. Its customers include national marketing organizations which have contractual arrangements for the production of products by Chempac Liquid. Plant is in Toronto.

During 1985, the division acquired an adjacent building, adding 140,000 sq. ft. of production and warehousing space. The new facility came on stream in mid-1986.

Chempac Powder—This division specializes in the manufacturing and packaging of automatic dishwasher detergents, laundry aids and household and commercial cleaners. Operations include product development, purchasing, manufacturing, packaging, quality assurance and cost accounting. Plant is in Toronto.

During 1985, a second electronic net weight filling system was installed, and a computerized inventory control and materials planning system was introduced.

CCL Western—This division, established in 1984, specializes in the manufacture of liquid, paste, aerosol, plastic film and powder. Manufacturing facilities, which are similar to the Chempac Liquid Division, include bulk storage, compounding and packaging operations and are located in Vancouver.

Food Products—In mid-1985, CCL signed an agreement with Real Fresh Inc. of Visalia, Calif., to custom manufacture aseptic food products on a Continental Can Conoffast machine. This will enable the company to offer marketers low-acid food products, purees, soups and cheese sauces. CCL purchased a Conoffast machine and planned to be in commercial production of Conoffast aseptic products from a plant in Mississauga, Ont., by the second quarter of 1986.

Product Identification

This division, which includes The Neeco Group and Kleen Stik-Fasson, manufactures and distributes self-adhesive sheets and roll products; prints self-adhesive labels; and supplies complete pressure-sensitive adhesive labellings systems on a turn-key basis.

Kleen Stik-Fasson—Kleen Stik-Fasson Inc. (60% owned) is a major manufacturer of self-adhesive rolls, sheets, tapes and adhesives for conversion to labels, fasteners and other applications. This division also manufactures pressure sensitive coated papers, foils and film for graphic arts, industrial, business systems and government markets in Canada. Plant is in Ajax, Ont.

During 1985, Kleen Stik-Fasson purchased a $1,000,000 emulsion water-based coater to add to its solvent and hot-melt coating lines.

The Neeco Group—Neeco Industries is a Canada-wide network of plants that produce label systems and product identification markings in pressure sensitive and other forms. Operating plants of Neeco Industries are located in Burlington, Ont., Montreal and Winnipeg with sales offices across Canada and the U.S.

In 1985, new rotary letterpress converting equipment was acquired. Neeco also introduced new plastic label products during the year.

The Modern Press Inc. division of Neeco is located in Sioux Falls, S.D. and, together with Dealer Label Manufacturing Corporation of Terre Haute, Inc., provides access to the United States market. Modern Label, a division of Modern Press, is a leading converter of pressure sensitive labels for use in the processed food, toy, pharmaceutical and light industrial businesses.

In 1985, Modern Press installed its second rotary letterpress, capable of printing eight colours; and Dealer Label installed its third four colour, wide web flexographic press for high speed production of pin-fed data processing labels.

Container Manufacturing

Continental Can Canada is the largest manufacturer of metal containers in Canada supplying metal and plastic containers and metal closures for a wide variety of food, beverage and industrial products. This subsidiary also offers its customers graphic arts and other technical assistance to support their packaging and marketing operations.

Early in 1985, Continental Can Canada opened a new $18 million aluminum can plant in Edmonton. Also during 1985, a second two-piece soft drink can line was installed in Toronto, scheduled for production in early 1986.

Continental Can Canada has plants in Burnaby, B.C., Edmonton, Alta., Winnipeg, Man., Toronto, Concord, Weston (2), Trenton, Chatham, all Ont., St. Laurent and Lachine (2), Que. Sales offices are in Burnaby, B.C., Edmonton, Alta., Winnipeg, Man., Etobicoke, Ont., and St. Laurent, Que.

Advanced Extrusions—Produces aluminum monobloc aerosol containers, as well as collapsible aluminum tubes for toothpaste, pharmaceutical and food products at plants in Toronto and Penetang, Ont. Also produces aluminum caulking cartridges and marker pens, in addition to aerosol containers for the rapidly expanding "mousse" hair care market.

During 1985, Advanced made plans to begin production of laminated tubes in 1986. Another high-speed monobloc aluminum aerosol can line was ordered, to be installed in mid-1986, which will increase production capacity by another 35 million aerosol cans.

Plastics Packaging

Formed in late 1985, this division will utilize the worldwide plastics technology available through Continental Can Company of Stamford, Conn.

The company plans to concentrate on four areas of the plastics packaging business:

1. Multi-layer squeezable bottles for food and beverage products.
2. PET clear plastic containers for food and non-carbonated beverage products.
3. Co-extruded sheet for form, fill and seal aseptic applications.
4. Multi-layer thermoformed containers for dual ovenable products.

Production of multilayer barrier plastic containers for the food and beverage industry was scheduled to commence from a $4,000,000 equipped production facility in Ontario by August, 1986.

CAPITAL EXPENDITURES

Additions to fixed assets in recent years have been as follows:

1976	$2,364,000	1981	$4,974,000
1977	3,017,000	1982	6,291,000
1978	2,872,000	1983	29,658,000
1979	2,823,000	1984	49,796,000
1980	5,321,000	1985	71,234,000

Capital expenditures by business segment have been as follows in the past two years:

	— 1985 —		— 1984† —	
	$000's	%	$000's	%
Custom mfg.	12,949	18	4,785	10
Product I.D.	5,405	8	1,833	4
Container mfg.	52,618	74	42,552	85
Corporate	262	..	626	1
	71,234	100	49,796	100

Capital expenditures for 1986 are estimated at approximately $50 million.

HISTORY

The custom manufacturing and packaging business conducted by CCL Industries Inc. was commenced in 1951 by Connecticut Chemicals (Canada) Limited.

In 1972, this business was acquired by Conn Chem Limited, the then controlling shareholder of Connecticut Chemicals (Canada) Limited.

On Jan. 1, 1978, Conn Chem Limited and TPC Packaging Corporation were amalgamated under the name Conn Chem Limited. On May 25, 1978, the company's name was changed to The Conn Chem Group Ltd.

On Nov. 28, 1979, the name of the company was changed to CCL Industries Inc.

Effective Jan. 1, 1980, the company acquired the assets of Neeco Industries. Subsequently, Neeco acquired J. & J. Cash Limited and Canada West Label Limited. On Oct. 1, 1980, the company entered into an agreement with Avery Interational to combine the Canadian-based lamination operations into a new company, Kleen Stik-Fasson Inc. of which CCL holds 60%.

Initial public offering of 1,962,000 common shares at $6 per share was made in April, 1980.

On Jan. 1, 1981, the company acquired Canada Decalcomania Company Limited. Also acquired during 1981 were Excel Adhesive Envelopes Inc. and R. M. Hollingshead Limited.

Acquisitions in 1982 included Air Guard Control of Canada Limited and the assets of Modern Press Inc. of Sioux Falls, S.D.

Effective Jan. 1, 1983, the company acquired all outstanding shares of John A. Houston Company Limited for $900,000 cash. This company was subsequently merged into the Chempac Powder division.

Effective May 1, 1983, the company acquired the issued shares of Continental Can Canada Inc. for $125.2 million.

Effective Jan. 1, 1984, R. M. Hollingshead Limited was amalgamated with the company.

In May of 1984, the company concluded an agreement with C-I-L Paints Inc. whereby C-I-L sold its custom manufactured aerosol paint business to CCL. On June 25, 1984, the company announced an agreement had been signed with Enviro-Spray Systems Inc. to form a new Canadian-controlled company to exploit Enviro-Spray's patented technology for dispensing products under pressure. Also, in August of 1984, the company acquired the assets of Engineered Adhesive Products Inc. of Mississauga for approximately $3,000,000, through its subsidiary Kleen Stik-Fasson Inc.

In February, 1985, the company acquired the assets of Advanced Extrusions Ltd., a manufacturer of aluminum monobloc aerosol containers and supplier of collapsible aluminum tubes for toothpaste, pharmaceuticals and food products, for approximately $22 million. Advanced Extrusions Inc., formerly a numbered company, was then established to carry on these operations. Also, in July, 1985, the company purchased all outstanding shares of Dealer Label Manufacturing Corporation of Terre Haute, Indiana, a U.S. pressure sensitive label producer, for approximately US$3,000,000. Absco Aerosols was also acquired during the year.

PRINCIPAL OPERATING SUBSIDIARIES

Continental Can Canada Inc.—3080 Yonge St., Toronto, Ont. M4N 3N1. J. A. Morrison, pres. & chief exec. officer. Wholly owned. Manufactures containers and closures at 12 plants across Canada.

Kleen Stik-Fasson Inc.—81 Dowty Rd., Ajax, Ont. L1S 2G3. D. L. Gurbach, v-p & gen. mgr. (Owned 60% by CCL; 40% by Avery International Corporation). Manufactures self-adhesive coated papers, foils and film.

Modern Press Inc.—1209 West Bailey, Sioux Falls, S.D., 57104. Wholly owned. A leading converter of pressure-sensitive labels in the United States.

Advanced Extrusions Inc.—124 St. Regis Cres. S., Downsview, Ont. M3J 1Y8. Wholly owned. Produces aluminum monobloc aerosol containers and collapsible aluminum tubes. Plants are located in Toronto and Penetang, Ont.

Dealer Label Manufacturing Corporation—P.O. Box 1790, R.R.51, Terre Haute, Ind. 47808. A producer of pressure sensitive labels.

Other Interest

Canada West Labels Ltd.—9200 Van Horne Way, Richmond, B.C. V6X 1W3. Wholly owned. Essentially inactive.

Ever Ready Tag & Label Co. Ltd.—Montreal. Wholly owned.

OFFICERS AND DIRECTORS

Officers—G. S. Lang, chm. & CEO; E. G. Johnston, vice-chm.; W. M. E. McLeod, pres.; E. W. Dobson, chm. exec. comm.; G. W. Ullman, J. A. Morrison, exec. v-p's; M. H. Snider, v-p & CFO; L. A. Eddy, v-p, admin.; R. J. Sloan, v-p, information & planning services; A. E. Fox, P. W. Nelson, v-p's; J. H. Wood, treas.; J. N. Quesnel, asst. treas.; Robert Leckie, asst. sec.

Directors—G. S. Lang, E. G. Johnston, D. R. Pepall, G. W. Ullman, W. M. E. McLeod, J. A. Morrison, E. W. Dobson, Albert Gnat, Arnold Englander, J. G. Davies, all Toronto; R. P. Silver, V. J. Marriott, Stamford, Conn.

CAPITAL STOCK

(At Dec. 31, 1985)

	Author.	Outstand.
Class A voting	unlimited	4,211,000 shs.
Class B non-voting	unlimited	25,938,000 shs.

Class A Voting—Convertible at any time into class B non-voting shares.

Class A shares are fully voting.

Class B Non-Voting—Entitled to non-cumulative preferential dividend of five cents per share per annum (adjusted for 2-for-1 stock split in June, 1985). Non-voting unless consideration given for class A shares, under a take-over bid when voting control has been acquired, exceeds 115% of the market price of class B shares when entitled to one vote per share. Ranks equally with class A shares in all other respects.

Employee Share Option Plan—At Dec. 31, 1985, options were outstanding to purchase 1,481,500 class B shares at prices ranging from $2.82 to $16.00 per share and expiring at various dates from November, 1987, to December, 1990.

Employee Share Purchase Plan—Under this plan, the company provides employees with interest-free loans over two years to purchase shares. At Dec. 31, 1985, 319,800 class B shares were reserved for issue under this plan.

CAPITAL STOCK CHANGES

Authorized capital at Dec. 31, 1979 consisted of an unlimited number of 50 cent non-cumulative, non-voting class A shares redeemable at $10 each; 70 cent cumulative, non-voting class B shares, redeemable at $10 each and common shares, of which 55,000 class B shares and 2,000,000 common shares were issued.

On Feb. 27, 1980, class A shares were cancelled, class B shares were redesignated as redeemable special shares and each issued common share was subdivided on a 3-for-1 basis. On Apr. 15, 1980, all of the issued special shares were redeemed at $10 per share On May 8, 1980, 1,700,000 common shares were issued to the public at $6 per share. Also during the year, 333,333 shares were issued on an acquisition and 60,000 through employee stock options.

During 1981, 152,380 shares were issued on an acquisition and 100,000 shares were issued under employee stock options.

During 1982, the company issued 33,243 shares as additional consideration under the terms of an agreement for the acquisition of shares of a subsidiary in 1981. Also during 1982, 20,000 shares were issued under an employee stock option plan, bringing the capital stock outstanding at Dec. 31, 1982 to 8,398,956 common shares. Subsequent to year-end, the company issued 23,000 common shares and 115,000 common shares under the employee stock option and executive stock purchase plans, as the final consideration for the acquisition of a subsidiary.

Effective June 27, 1983, the common shares of the company were reclassified on the basis of one class A voting and two class B non-voting shares for each three common shares. Following the reclassification, class B non-voting shares were issued as follows: 3,150,000 under a public offering, 2,120,000 to The Continental Group, Inc. and 56,000 under the employee stock option and executive stock purchase plans. In addition, 625,000 class A voting shares were issued to Continental Group, Inc. and 370,000 class A voting were converted into class B non-voting shares.

In 1984, 142,000 class B shares were issued under employee share option and share purchase plans and 496,000 class B shares were issued on conversion of an equal number of class A shares. At Dec. 31, 1984, capital stock outstanding comprised 2,605,000 class A voting and 12,025,000 class B non-voting shares.

Effective May 27, 1985, the issued and outstanding class A and B shares were split on a 2-for-1 basis.

During 1985, on a post-split basis, 659,000 class B shares were issued for cash under the employee share option and share purchase plans; 230,000 class B shares were issued in connection with the purchase of Advanced Extrusions Inc.; and 999,000 class B shares were issued on conversion of an equal number of class A shares. At Dec. 31, 1985, capital stock outstanding comprised 4,211,000 class A voting and 25,938,000 class B non-voting shares.

PRICE RANGE OF STOCK

Class A Voting

Year	High	Low	Year	High	Low
1983*	$18.00	$12.00	1985	▲$18.25	▲$12.13
1984	24.75	16.00			

*Listed July 4.

▲Adjusted for 2-for-1 stock split, effective May 27, 1985.

Class B Non-Voting

Year	High	Low	Year	High	Low
1983*	$18.00	$12.00	1985	▲$17.63	▲$11.88
1984	25.00	15.00			

▲Adjusted for 2-for-1 stock split, effective May 27, 1985.

Common (Old)

Year	High	Low	Year	High	Low
1980*	$7.50	$6.00	1982	$8.00	$4.40
1981	10.25	6.00	1983†	14.00	6.88

*Listed June 27. †Delisted July 4.

DIVIDENDS

Class A Voting—Present rate is 17 cents per share per annum established with the quarterly dividend of 4¼ cents per share paid June 28, 1985 (first following 2-for-1 split, May 27, 1985). Previously, a rate of 30 cents per (pre-split) share per annum was paid quarterly from July 29, 1983 (initial) to Mar. 29, 1985, inclusive.

Class B Non-Voting—Entitled to non-cumulative preferential dividend of five cents per share per annum (adjusted for 2-for-1 split in June, 1985). Present rate is 22 cents per share per annum, established with the quarterly dividend of 5½ cents per share paid June 28, 1985 (first following 2-for-1 stock split, May 27, 1985). Previously, a rate of 40 cents per (pre-split) share was paid quarterly from July 29, 1983 (initial) to Mar. 29, 1985, inclusive.

Common (Old)—Dividends on the old common shares were paid at the rate of 30 cents per share per annum established with the quarterly payment of 7½ cents per share on Mar. 31, 1980 (first following the company's becoming public in April, 1980) and regularly quarterly until Mar. 31, 1983.

LONG-TERM DEBT

Long-term debt outstanding at Dec. 31, 1985 totaled $160,059,000, including $20,748,000 due within one year, and comprised the following: $2,112,000 in U.S. dollar bank loan at prime rate, due 1989; $25,000,000 in revolving term bank loan, repayable in annual installments of $2,500,000 commencing in 1987 with the balance due in 1991; $119,546,000 in term bank loans repayable in quarterly installments ranging from $4,000,000 to $6,000,000 commencing in 1986; $7,019,000 industrial development revenue bonds with interest at rates from 6.65% to 9.75%, payable in annual installments ranging from US$382,000 in 1986 to US$172,000 in 1999; and $6,382,000 other loans and mortgages at various interest rates and due at various dates.

Long-term debt payments due in each of the next five years were as follows: $20,748,000 in 1986; $28,590,000 in 1987; $28,288,000 in 1988; $16,108,000 in 1989; and $22,900,000 in 1990.

INTERIM EARNINGS

Fiscal Year	Sales	Net Inc. Oper.	Earns. per Sh.*	Sales	Net Inc. Oper.	Earns. per Sh.*	Sales	Net Inc. Oper.	Earns. per Sh.*
	3 months			6 months			9 months		
	$000's		—$—	$000's		—$—	$000's		—$—
1980	n.a.	n.a.	n.a.	64,256	2,739	0.21	n.a.	n.a.	n.a.
1981	33,281	1,425	0.09	71,234	3,462	0.22	104,570	4,590	0.28
1982	40,559	1,043	0.07	80,984	2,129	0.13	115,512	2,881	0.18
1983	45,648	1,511	0.09	159,918	6,884	0.34	302,830	13,537	0.63
1984	138,495	7,293	0.25	283,866	15,002	0.51	456,039	24,521	0.84
1985	152,240	6,749	0.22	334,174	17,201	0.56	517,280	27,651	0.90
1986	147,245	1,540	0.04	338,915	9,048	0.30			

*Based on class A and B stock. Adjusted throughout for 2-for-1 split, May 27, 1985. Previously common prior to reclassification of each three common shares into one class A voting and two class B non-voting shares; June 27, 1983.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended December 31

	1985	1984	1983■
		$000's	
Source of Funds			
Income before int. & inc. taxes	69,992	62,788	42,376
Deprec. & other non-cash	18,207	14,785	11,515
Long-term borrowing	53,394	12,589	84,518
Share issue	7,809	1,428	73,956
Discontinued opers.	....	....	2,840
Other	3,098	....	....
	152,500	91,590	215,205
Application of Funds			
Increase fixed assets	71,234	49,796	29,598
Decrease l.-t. debt	22,980	2,408	18,755
Interest	14,310	13,252	11,396
Income taxes	5,581	5,337	8,417
Dividends	6,220	5,561	4,158
Business acquisitions, net	34,093	5,123	95,531
Other	7,974	1,691	1,654
	162,392	83,168	169,509
Increase working capital	▲9,892	8,422	45,696

■ As shown in 1984 annual report. ▲Decrease.

CHANGES IN CASH POSITION

	1985	1984●
	$000's	
Increase working capital	▲9,892	8,422
Incr. w/c items other than cash:		
Operations	▲1,406	▲20,636
Curr. portion l.-t. debt	19,450	828
Work. cap. assumed on acq.	727	3,526
Increase cash	8,879	▲7,860

●As shown in 1985 annual report. ▲Decrease.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	1985	1984	1983	1982	1981	1980	1979†
				$000's			
Assets							
Current:							
Accounts receivable	77,655	71,878	54,383	22,658	22,826	20,579	13,944
Inventories▲:							
Mat. & supplies	46,393	39,064	33,051	13,365	13,942	12,032	10,855
Work in process	23,150	23,920	18,035	1,863	2,085	1,108	....
Finished goods	45,903	36,605	30,320	5,982	7,564	4,809	2,747
Prepaid expenses	....	....	....	685	662	358	131
	193,101	171,467	135,789	44,553	47,079	38,886	27,677
Fixed:							
Land	17,190	14,181	13,927	2,750	1,697	1,621	1,270
Buildings	45,110	34,597	36,728	16,123	8,601	8,163	5,804
Equipment, etc.	220,448	150,614	97,206	41,760	33,616	26,168	18,332
Less: Deprec.	49,405	38,660	29,490	24,044	21,123	15,585	11,696
	233,343	160,732	118,371	36,409	22,791	20,366	13,710
Loans receivable	2,279	2,505	1,742	1,176	1,974	1,148	314
Other assets	16,039	12,624	13,228	6,526	3,752	2,908	52
Goodwill	52,765	32,137	32,832	11,760	11,275	10,165	5,075
	497,527	379,465	301,962	100,424	86,870	73,473	46,828
Liabilities							
Current:							
Bank adv., etc.	9,310	18,189	10,329	9,010	22,424	13,384	10,000
Accts. pay. & accruals	105,254	83,430	60,137	14,884	18,182	17,931	14,031
Income & other taxes	1,690	2,559	4,149	1,104	521	1,610	1,150
L.-t. debt, due 1 yr.	20,748	1,298	470	4,791	1,933	1,825	1,164
	137,002	105,476	75,085	29,789	43,060	34,750	26,345
Long-term debt	139,311	104,513	94,332	28,770	6,676	7,716	9,641
Deferred income taxes	43,921	26,729	11,744	7,697	5,265	4,274	2,549
Minority interest	....	....	3,135	2,891	2,773	2,445	....
Shareholders' Equity							
Capital Stock:							
Class A■	8,011	9,913	11,802	....	....	....	....
Class B■	92,741	83,030	79,713	....	....	....	....
Common	....	....	....	14,894	14,527	12,719	300
Redeem. special□	....	....	....	....	....	....	550
Retained earnings	76,541	49,804	26,151	16,383	14,569	11,569	7,443
	497,527	379,465	301,962	100,424	86,870	73,473	46,828

†As shown in 1980 Annual Report.

▲Raw materials and supplies valued at lower of cost and replacement cost; finished goods and work in process valued at lower of cost and net realizable value.

■ Following reclassification of each three common shares into one class A voting and two class B non-voting shares.

□ All redeemable special shares were redeemed at $10 per share plus accrued dividends on Apr. 15, 1980.

Equities:							
Net worth* ($000's)	177,293	142,747	117,666	31,277	29,096	24,288	8,294
Cl. A & B●	$5.88	$4.88	$4.06	....	....	....	....
Common▼	....	....	....	$3.72	$3.49	$3.00	$1.29
Special redeem.▲	....	....	....	....	....	....	150.82

*Based on shareholders' equity. Available for special redeemable and class A and B shares; special redeemable shares deducted at $10 per share before calculating equity per common share.

●Common prior to reclassification of each three common shares into one class A voting and two class B non-voting shares on June 27, 1983; adjusted throughout for two-for-one split, May 27, 1985.

▼Adjusted throughout for three-for-one split, Feb. 27, 1980. ▲All redeemed Apr. 15, 1980.

Working Capital							
Current assets	193,101	171,467	135,789	44,553	47,079	38,886	27,677
Current liabilities	137,002	105,476	75,085	29,789	43,060	34,750	26,345
Working capital	56,099	65,991	60,704	14,764	4,019	4,136	1,332
Ratio	1.41—1	1.63—1	1.81—1	1.50—1	1.09—1	1.12—1	1.05—1

Shares Outstanding:							
Class A voting	▲4,211,000	2,605,000	3,101,000	....	....	....	....
Class B non-voting	▲25,938,000	12,025,000	11,387,000	....	....	....	....
Common	8,345,713	8,093,333	†2,000,000	■	....	....	8,398,956
Special redeem.	....	□	55,000	....	....	....	....

▲Following two-for-one split, May 27, 1985.

■ Reclassified on basis of one class A voting and two class B non-voting shares for each three common shares, June 27, 1983.

□ All redeemed Apr. 15, 1980. †Prior to three-for-one split, Feb. 27, 1980.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Years Ended December 31

	1985	1984	1983	1982	1981	1980	1979†
				$000's			
Sales	674,172	607,320	420,487	157,855	150,424	123,507	87,564
Less: Cost of sales	586,989	530,652	367,199	140,042	132,050	107,396	74,933
Net before deprec., etc.	87,183	76,668	53,288	17,813	18,374	16,111	12,631
Less: Depreciation	15,274	12,435	8,829	3,330	2,959	2,028	1,482
Amort. goodwill	1,917	1,445	1,586	1,137	660	297	136
Interest, l.-t. debt	12,560	11,676	9,467	1,932	1,511	1,240	1,723
Other interest	1,750	1,576	1,929	3,722	4,269	1,595	552
Income taxes: Current	22,725	20,322	9,622	613	2,142	3,065	
Deferred			4,024	2,612	1,186	1,570	
Minority interest	....	●	497	138	186	■ 124	....
Net income, operations	32,957	29,214	17,334	4,329	5,461	6,440	5,100
Less: Extraord. items▲	....	....	1,948	....	....	....	766
Net income	32,957	29,214	15,386	4,329	5,461	6,440	4,324
Add: Previous ret. earns.	49,804	26,151	16,383	14,568	11,569	7,443	3,657
Less: Dividends	6,220	5,561	4,158	2,514	2,462	1,832	538
Issue cost	....	....	1,460	....	....	482	....
Retained earnings	76,541	49,804	26,151	16,383	14,568	11,569	7,443

†As shown in 1980 Annual Report. ■ Credit. ● Included in cost of sales.

▲In 1983, comprised of costs related to disposal of certain small operations in the pressure sensitive products segment; in 1979, comprised of the cost of acquiring and developing new technology for laminated products.

Remuneration—Of officers and directors has been as follows in recent years: $2,487,172 in 1985; $1,796,325 in 1984; $1,795,675 in 1983; and $1,022,192 in 1982; n.a. in 1981, 1980 and 1979.

Times Interest Earned:							
Before deprec. & amort.	6.09	5.79	4.68	3.15	3.18	5.68	5.55
After deprec. & amort.	4.89	4.74	3.76	2.36	2.55	4.86	4.84
Earnings per Share▲:							
Based on net income, operations							
Class A§	$1.06	$0.96	$0.74	....	....	....	....
Class B non-voting§	1.11	1.01	0.78	....	....	....	....
Common	....	....	....	$0.26	$0.33	$0.45	$0.42
Based on net income							
Class A§	$1.06	$0.96	$0.65	....	....	....	....
Class B non-voting§	1.11	1.01	0.69	....	....	....	....
Common	....	....	....	$0.26	$0.33	$0.45	$0.36

§Common prior to reclassification of each three common shares into one class A voting and two class B non-voting share, June 27, 1983.

▲Adjusted throughout for two-for-one split, May 27, 1985 and three-for-one split, Feb. 27, 1980.

Dividend Record:							
Class A‡	$0.1275	....	....	....	....	....	....
Class B‡	0.1650	....	....	....	....	....	....
Class A†	$0.075	$0.30	▲$0.225	....	....	....	....
Class B†	0.100	0.40	▲0.300	....	....	....	....
Common	....	....	0.075	$0.30	$0.30	□ $0.225	....

‡Following two-for-one split, May 27, 1985.

†Following reclassification of each three common shares into one class A voting and two class B non-voting shares, June 27, 1983. ▲Includes initial.

□ Includes first dividend following company's becoming public, April, 1980.

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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